



Legislative Fiscal Bureau

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August 21, 2017

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Property Tax Bill Estimate on a Median-Valued Home

This memorandum updates the estimate of the property tax bill on the median-valued home for the 2017-19 biennium based on the Governor's proposed biennial budget bill (AB 64/SB 30).

Tax bill estimates for a median-valued home for 2016(17), 2017(18), and 2018(19) under the Governor's budget bill were provided in a March 14, 2017, memorandum from this office. Actual information for 2016(17) is now available and results in no change to the March 14 estimate.

On August 15, the Department of Revenue certified 2017 actual property values. The actual values for 2017 are higher than the March 14 estimates and necessitate revisions for 2017(18) and 2018(19).

Because the Joint Committee on Finance has not yet completed its work on the biennial budget bill, these reestimates reflect the provisions in the bill as proposed by the Governor, and will become the basis for comparing the changes to the bill adopted by the Committee and the Legislature. The tax bill estimates for a median-valued home are calculated by multiplying the estimated home value by statewide average tax rates, which result from dividing statewide property tax levies by total state values. In these calculations, the only factors that have changed since the March 14 estimates are the home values and total state values.

Table 1 reports the tax bill estimates from the March 14 memorandum and compares them to the reestimates using the new values. The reestimates for a median-valued home are higher than the previous estimates by \$14 for 2017(18) and \$13 for 2018(19).

TABLE 1

**Tax Bill Estimates for a Median-Valued Home for 2017(18) and 2018(19) Under AB 64/SB 30
Compared to Reestimates Based on New Values**

	Base Year <u>2016(17)</u>	<u>March 14 Estimates</u>		<u>Revised Estimates</u>	
		<u>2017(18)</u>	<u>2018(19)</u>	<u>2017(18)</u>	<u>2018(19)</u>
Home Value	\$155,657	\$159,393	\$162,581	\$160,622	\$163,834
Gross Taxes	\$3,307	\$3,298	\$3,295	\$3,314	\$3,309
Tax Credits	<u>-455</u>	<u>-466</u>	<u>-464</u>	<u>-468</u>	<u>-465</u>
Net Tax Bill	\$2,852	\$2,832	\$2,831	\$2,846	\$2,844
Change from:					
- Prior Year		-\$20	-\$1	-\$6	-\$2
- March 14 Estimates				14	13

The tax bill under the revised estimates is higher than those reported in the March 14 memorandum by \$14 in 2017(18) and \$13 in 2018(19). The primary factor impacting the reestimate is that home values appreciated at a higher rate in 2017 (3.19%) than estimated (2.40%) under AB 64/SB 30. This is the highest rate of increase since before the recession, when the 2007 equalized values included a 3.76% increase in residential value due to economic factors. For 2016, that factor equaled 1.92%. More important, the higher home value growth rate caused the difference between that rate and the growth rate in statewide non-TID property values to diminish. As a result, property taxes will shift to residential property from other properties. Compared to the preceding five years, the 2017 values include the smallest difference between the change in statewide non-TID values and the residential values (Table 2).

TABLE 2

Comparison of Equalized Value Change Rates

<u>Year</u>	<u>Statewide Values</u>	<u>Residential Values</u>	<u>Difference</u>
2012	-3.29%	-4.40%	1.11%
2013	-0.81	-2.09	1.28
2014	2.38	1.71	0.67
2015	2.25	1.47	0.78
2016	2.87	1.92	0.95
2017			
- March 14 estimate	3.42	2.40	1.02
- Actual	3.73	3.19	0.54

It should be noted that the new values will also impact the fiscal effect of the Governor's proposal to sunset the state forestry tax beginning in 2017(18) and replace that revenue with a transfer to the conservation fund from the general fund. The proposed transfer would equal the amount otherwise raised through the state forestry tax. In the Governor's 2017-19 budget recommendations, this was estimated at \$88,759,300 in 2017-18 and \$91,695,600 in 2018-19. Because the actual 2017 state total equalized value is higher than previously estimated, thereby affecting the estimated 2018 equalized value as well, the proposed transfers to the conservation fund are now estimated at \$89,259,600 and \$92,224,100. These amounts represent an additional general fund commitment of \$500,300 in 2017-18 and \$528,500 in 2018-19, or \$1,028,800 in the biennium.

BL/RO/sas